

**THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA**

DOCKET NO.: 2018-358-WS

In the Matter of)	
)	DIRECT TESTIMONY
Verified Application of Carolina Water Service, Inc. for Approval of Annual Rate Adjustment Mechanism and Petition for an Accounting Order to Defer Expenses)	OF DAVID HUGHES (Supervisor, York County W/S Division)
)	

Q: PLEASE STATE YOUR NAME, EMPLOYER, TITLE AND BUSINESS ADDRESS:

A: My name is David Hughes. For the last 24 Years, I have served as the Supervisor with the York County Water/Sewer Division of Public Works in York South Carolina. My business address is 220 Public Works Road, York, South Carolina.

Q: WHAT ARE YOUR RESPONSIBILITIES AS SUPERVISOR?

A: Included in my responsibilities as the County W-S Supervisor are the following duties:

- Plan and manage the installation, maintenance, and repair of water and sewer systems, ensuring compliance with applicable federal, state, and local laws and regulations.
- Prepare and monitor the division budget; ensure effective and efficient use of budgeted funds, personnel, materials, facilities, and time.
- Evaluate County water/sewer systems and service needs, and formulate plans to meet those needs in accordance with applicable laws and regulations.
- Work with County engineers and outside engineering firms in the design and implementation of system improvements.
- Administer and ensure compliance with the Safe Drinking Water Act regulations, including those pertaining to backflow prevention, lead and copper levels, volatile organic contaminants, disinfection by-products, and unregulated contaminant testing.

1 • Inspect county projects in progress and upon their completion inspect for compliance with
2 applicable policies, procedures, laws, regulations, contracts, permits, and standards of quality and
3 safety.

4
5 • Supervise water/sewer billing functions; assist Billing Clerk with customer requests and
6 complaints; and resolve billing disputes.

7
8 **Q: WHAT IS YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND IN THE WATER AND SEWER**
9 **INDUSTRY?**

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11 **A:** I earned a State Diploma in Engineering Graphics from York Technical College 1981 and an
12 Associate's Degree in Civil Engineering Technology from York Technical College 1984. I hold Certificates
13 awarded for Water Distribution Operator, Level A, from the South Carolina Environmental Certification
14 Board (2000); and for Wastewater Collection System Operator, Class A from the South Carolina
15 American Water Works Association & Water Environment Association (2002). For ten years, I worked as
16 a Civil Engineering Technician for Water/Sewer Design and Construction Administration with Williams
17 Engineering and with Campco Engineering, both in Rock Hill, South Carolina. For the last 24 Years, I have
18 served as the Supervisor with the York County Water/Sewer Division of Public Works in York South
19 Carolina. I have been a member of the South Carolina section of the American Water Works Association
20 and the South Carolina Rural Water Association (SCRWA) for thirty-one years and I served on the SCRWA
21 Board of Directors for twelve years.

22 **Q: WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

23 **A:** The purpose of my testimony is to support York County's position in the CWS/Blue Granite
24 Water Company ("Company") rate case before the Commission regarding the proposed Rate
25 Adjustment Mechanism, the recovery of Deferred Account balances, and related matters.

26 **Q: WHAT IS THE POSITION OF YORK COUNTY?**

27 **A:** The County supports a true "pass-through" mechanism, without mark-up or margin, to be
28 applied on a regional basis, as opposed to a "rate adjustment mechanism" applied on a more statewide
29 basis which incorporates all of the third-party rates charged by providers to Company. The formulaic

1 basis for application of the pass-through will need to be approved by the Commission. The County also
2 contends that the recovery of Deferred Account balances pose concerns for York County customers of
3 County as the request is styled. Essentially, the recovery of the account balances over a one year period
4 places too extreme an impact on customers.

5 **Q: WHAT ARE THE BASES FOR THESE POSITIONS?**

6 **A:** York County, as a water and wastewater service provider, contends that approval of a pass-
7 through related to water and sewer rate increases (or decreases) directly attributable to York County
8 will best serve the York County citizens whom are customers of the Company. The County further
9 contends that the pass-through will present a transparent process so that citizens will understand this
10 directly attributable aspect of our regional rates, as opposed to assuming a rate increase which averages
11 all of the statewide third-party rates from other jurisdictions and for which York County has no control
12 or even opportunity to temper increases. York County understands the specific procedure to be applied
13 with regard to the pass-through of water and sewer rates will need to be approved by the Public Service
14 Commission. Additionally, with regard to the recovery of deferred accounts, the County, while
15 appreciating the desire of Company to recapture the accounts, it advocates the adoption of a lengthier
16 amortization period so that the recovery can be more stably applied over time to the Company
17 customer accounts.

18 **Q: IN YOUR OPINION, DOES THE APPROVAL OF A PASS-THROUGH AFFECT THE PROVISION OF**
19 **SERVICES TO COMPANY CUSTOMERS?**

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21 **A:** In my opinion, the approval of a pass-through, or a denial for that matter, should have no
22 impact upon the provision of services. The provision of quality customer service is something York
23 County strives to provide in its operations as a water and sewer service provider. Therefore, accepting
24 the premise that an overarching objective of good business practices includes reliable and quality
25 customer service by the Company, then the Company should be promoting these aspects in its service
26 regardless of a pass-through approval. However, the approval of a pass-through, without mark-up or

margin, should at least eliminate this aspect from future rate cases and theoretically result in a more stream-lined rate case process in the future, or at least a more narrow subject matter scope in future cases. Therefore, for the reasons expressed in my answer to the previous question, the approval or denial of a pass-through should not affect the provision of services by Company to its York County customers. Additionally and significant to the County's position, York County would like to underscore that in its opinion anything outside direct pass-through concern before the Commission is best suited for the long-standing public review process established in traditional rate cases. In these cases, citizens and concerned parties are afforded an opportunity to check, audit, and vet proposed rate increases and all proposed cost recovery, addressing such items as, inter alia, capital costs, recovery of water loss, the impact of Inflow and Intrusion concerns, and wastewater treatment expenses; public participation being precluded in the rate mechanism request, as currently styled. The public review process affords citizen consumers the opportunity to assess and advocate their interests on these and other subjects in future cases.

It is for these reasons that York County has taken a position in this case.

Q: DOES THIS CONCLUDE YOUR TESTIMONY?

A: Yes.